

1 August 2022

## HSBC CONTINENTAL EUROPE<sup>1</sup> INTERIM RESULTS 2022

On 29 July 2022, HSBC Continental Europe's Board of Directors approved the bank's consolidated financial statements for the first half of 2022.

HSBC Continental Europe's performance during the first half of 2022 was positive with continued profitability driven by growth in wholesale banking revenues, demonstrating the strength of our global franchise and international connectivity, coupled with low credit losses and a favourable cost performance. With inflationary pressure across Europe and the ongoing Russia-Ukraine war, we expect to be operating in a more difficult environment for the remainder of the year.

**Reported consolidated profit before tax** was €184m, down from €187m in the first half of 2021, and included an exceptional loss and related impairments of €111m recognised in relation to the planned sale of HSBC Continental Europe's operations in Greece.

**Reported net operating income before change in expected credit losses and other credit impairment charges** was €1,218m, down from €1,296m in the first half of 2021, including the exceptional loss recognised in relation to the planned sale of the operations in Greece and a less favourable PVIF movement – €123m in the first half of 2022, compared with a favourable movement of €171m in the first half of 2021. These impacts were largely offset by growth in Commercial Banking and Global Banking, which benefitted from increased client activity and rising interest rates. In addition, Markets and Securities Services revenues increased due to higher transaction volumes, notably in Global Foreign Exchange and Securities Services.

**Reported change in expected credit losses and other credit impairment charges** was nil, compared to a release of €1m in the first half of 2021. The deterioration of forward-looking economic conditions driven by the rising risk of stagflation and disruption to energy supply was offset by the release of Stage 3 provisions.

**Reported operating expenses** were €1,034m, down from €1,111m in the first half of 2021. The decrease was due to the recognition of a recovery of VAT paid in 2021 and lower staff costs, partly offset by transformation related costs.

**Reported profit attributable to shareholders of the parent company** was €127m for the half year to 30 June 2022, compared with €153m in the first half of 2021.

**The consolidated balance sheet** of HSBC Continental Europe showed total assets of €239bn at 30 June 2022, compared to €223bn at 31 December 2021 with the increase mainly driven by mark-to-market movements on derivatives.

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<sup>1</sup> HSBC Continental Europe includes, in addition to its activities in France, the activities of 10 European branches (Belgium, Czech Republic, Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Spain and Sweden)

At 30 June 2022, HSBC Continental Europe reported a liquidity coverage ratio (LCR)<sup>2</sup> of 145% and a net stable funding ratio (NSFR)<sup>3</sup> of 129%. The bank's fully loaded common equity tier 1 (CET1) ratio was 13.7% and the fully loaded total capital ratio was 18.7%. The fully loaded leverage ratio was 3.9%. The solvency ratio of the Life Insurance subsidiary was 263%<sup>4</sup>.

### **Planned sale of Greece branch operations and retail banking business in France**

Our business transformation has continued to progress at pace, with the signing of a sale and purchase agreement for the sale of our branch operations in Greece to Pancreta Bank SA on 24 May 2022. This followed the completion of the works council consultations. Completion of the potential transaction is subject to regulatory approval and is currently expected to finalise towards the end of the first half of 2023.

As at 30 June 2022, €2.1bn in total assets, including €0.4bn of customer loan balances and €2.3bn in total liabilities, including €2.2bn of customer accounts were reclassified as held for sale in accordance with IFRS 5 and losses and impairments of €111m were recognised for the planned sale of Greece branch operations.

As previously disclosed, we remain on track to complete the sale of our retail banking business in France in the second half of 2023.

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<sup>2</sup> Computed in respect of the EU Delegated act

<sup>3</sup> Computed in respect of CRR II (Regulation EU 2019/876)

<sup>4</sup> LCR, NSFR and the solvency ratio of the Life Assurance subsidiary are unaudited

## Appendix

Interim accounts were subject to a limited review by the statutory auditors.

### Summary consolidated income statement

	€m	Half year to 30 June 2022	Half year to 30 June 2021	Half year to 31 Dec 2021
Net interest income		556	480	507
Net fee income		485	457	458
Net income/(expense) from financial instruments held for trading or managed on a fair value basis		211	90	(9)
Other operating income/(expense)		(34)	269	111
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>		<b>1,218</b>	<b>1,296</b>	<b>1,067</b>
Change in expected credit losses and other credit impairment charges		—	1	(34)
Total operating expenses		(1,034)	(1,111)	(935)
Share of profit in associates and joint ventures		—	1	—
<b>Profit/(loss) before tax</b>		<b>184</b>	<b>187</b>	<b>98</b>
Tax expense		(57)	(34)	17
<b>Profit/(loss) for the period</b>		<b>127</b>	<b>153</b>	<b>115</b>
<b>Profit/(loss) attributable to shareholders of the parent company</b>		<b>127</b>	<b>153</b>	<b>116</b>
Profit/(loss) attributable to non-controlling interests		—	—	(1)

### PVIF (Present value of in force long-term insurance business)

HSBC Continental Europe, through its HSBC Assurances Vie subsidiary, accounts for its life insurance business using the embedded value method, which provides a comprehensive framework for assessing risk and valuation. PVIF (present value of in force long-term insurance business) is the present value of future profits from existing insurance policies.

The PVIF calculation is based on assumptions that take into account business risks and uncertainties. When projecting cash flows, HSBC Assurances Vie makes a series of assumptions regarding future experience, taking into account local market conditions and management's judgment of future local trends.

In the first half of 2022, the PVIF movement was favourable by €123m, compared to €171m in the first half of 2021.

### Post-balance sheet events

On 20 July 2022, the Board of Directors convened an Extraordinary General Meeting to be held on 2 September 2022 to propose a share capital increase of €1,300m, related to the planned sale of the retail banking business in France.

## Alternative performance metrics

To measure our performance, we also use non-GAAP financial measures, including those derived from our reported results that eliminate factors that distort year-on-year comparisons. The 'adjusted performance' measure removes the impact of 'significant items', listed below, and year-on-year foreign currency translation differences.

	€m	Half year to 30 June 2022	Half year to 30 June 2021	Half year to 31 Dec 2021
<b>Reported revenue</b>		<b>1,218</b>	1,296	1,067
Significant revenue items		93	26	129
<b>Adjusted revenue</b>		<b>1,311</b>	1,322	1,196
<b>Reported operating expenses</b>		<b>(1,034)</b>	(1,111)	(935)
<b>Significant cost items</b>		<b>75</b>	30	61
– Impairment of goodwill, intangibles and tangibles		8	(1)	3
– Restructuring cost and other significant items		67	31	58
<b>Adjusted operating expenses</b>		<b>(959)</b>	(1,081)	(874)

## Adjusted results by business line

HSBC Continental Europe changed its segmental reporting in the second half of 2021 by splitting the business line 'Global Banking and Markets' into three business lines: 'Markets and Securities Services', 'Global Banking' and 'Global Banking and Markets Other'. Financials for the first half of 2021 were re-presented accordingly with no impact on the consolidated financial results.

	Wealth and Personal Banking	Commercial Banking	Markets and Securities Services	Global Banking	Global Banking and Markets Other	Corporate Centre	Total
€m	Half year to 30 June 2022						
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>	<b>467</b>	<b>410</b>	<b>179</b>	<b>251</b>	<b>27</b>	<b>(23)</b>	<b>1,311</b>
Change in expected credit losses and other credit impairment charges	(2)	11	—	(10)	1	—	—
<b>Total operating expenses</b>	<b>(361)</b>	<b>(215)</b>	<b>(201)</b>	<b>(140)</b>	<b>(31)</b>	<b>(11)</b>	<b>(959)</b>
Share of profit in associates and joint ventures	—	—	—	—	—	—	—
<b>Adjusted profit/(loss) before tax</b>	<b>104</b>	<b>206</b>	<b>(22)</b>	<b>101</b>	<b>(3)</b>	<b>(34)</b>	<b>352</b>
	Half year to 30 June 2021						
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>	<b>544</b>	<b>363</b>	<b>157</b>	<b>224</b>	<b>30</b>	<b>4</b>	<b>1,322</b>
Change in expected credit losses and other credit impairment charges	10	(33)	—	24	—	—	1
<b>Total operating expenses</b>	<b>(397)</b>	<b>(254)</b>	<b>(230)</b>	<b>(137)</b>	<b>(31)</b>	<b>(32)</b>	<b>(1,081)</b>
Share of profit in associates and joint ventures	—	—	—	—	—	1	1
<b>Adjusted profit/(loss) before tax</b>	<b>157</b>	<b>76</b>	<b>(73)</b>	<b>111</b>	<b>(1)</b>	<b>(27)</b>	<b>243</b>
	Half year to 31 December 2021						
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>	<b>394</b>	<b>362</b>	<b>103</b>	<b>279</b>	<b>40</b>	<b>18</b>	<b>1,196</b>
Change in expected credit losses and other credit impairment charges	10	(35)	—	(11)	2	—	(34)
<b>Total operating expenses</b>	<b>(363)</b>	<b>(181)</b>	<b>(146)</b>	<b>(123)</b>	<b>(33)</b>	<b>(28)</b>	<b>(874)</b>
Share of profit in associates and joint ventures	—	—	—	—	—	—	—
<b>Adjusted profit/(loss) before tax</b>	<b>41</b>	<b>146</b>	<b>(43)</b>	<b>145</b>	<b>9</b>	<b>(10)</b>	<b>288</b>

## **HSBC Continental Europe**

Headquartered in Paris, HSBC Continental Europe is a subsidiary of HSBC Holdings plc. HSBC Continental Europe includes, in addition to its activities in France, the activities of 10 European branches (Belgium, Czech Republic, Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Spain and Sweden). HSBC Continental Europe's mission is to serve customers in continental Europe for their needs worldwide and customers in other Group countries for their needs in continental Europe.

## **HSBC Holdings plc**

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 63 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,985bn at 30 June 2022, HSBC is one of the world's largest banking and financial services organisations.

## **Disclaimer**

This press release contains certain forward-looking statements with respect to the financial condition, results of operations and business of the entity. Statements that are not historical facts, including statements about the entity's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC Continental Europe makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements.